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ANNUAL STATEMENT

For the Year Ending December 31, 2005

of the Condition and Affairs of the

Physicians Health Plan of Mid-Michigan - FamilyCare

NAIC Group Code.....3408, (Current Period) (Prior Period)	NAIC Company Code..... 11537	Employer's ID Number..... 36-4497604
Organized under the Laws of Michigan	State of Domicile or Port of Entry Michigan	Country of Domicile US
Licensed as Business Type.....Health Maintenance Organization	Is HMO Federally Qualified? Yes [] No [X]	
Incorporated/Organized..... May 23, 2002	Commenced Business..... January 1, 2003	
Statutory Home Office	1400 E. Michigan Avenue... Lansing MI 48912 (Street and Number) (City, State and Zip Code)	
Main Administrative Office	1400 E. Michigan Avenue... Lansing MI 48912 (Street and Number) (City, State and Zip Code)	517-364-8400 (Area Code) (Telephone Number)
Mail Address	PO Box 30377... Lansing MI 48909 (Street and Number or P. O. Box) (City, State and Zip Code)	
Primary Location of Books and Records	1400 E. Michigan Avenue... Lansing MI 48912 (Street and Number) (City, State and Zip Code)	517-364-8400 (Area Code) (Telephone Number)
Internet Website Address	www.phpmm.org	
Statutory Statement Contact	Jackie Eddy (Name) jackie.eddy@phpmm.org (E-Mail Address)	517-364-8400 (Area Code) (Telephone Number) (Extension) 517-364-8407 (Fax Number)
Policyowner Relations Contact	1400 E. Michigan Avenue... Lansing MI 48912 (Street and Number) (City, State and Zip Code)	517-364-8400 (Area Code) (Telephone Number) (Extension)

OFFICERS

Name	Title	Name	Title
1. Olga Dazzo	President	2. # Gary Reetz	Treasurer
3. Randolph Rifkin	Secretary	4.	

OTHER

DIRECTORS OR TRUSTEES

Olga Dazzo Marylee Davis Ph.D.

Regina Richards

State of..... Michigan
County of.... Ingham

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Olga Dazzo 1. (Printed Name) President (Title)	(Signature) # Gary Reetz 2. (Printed Name) Treasurer (Title)	(Signature) Randolph Rifkin 3. (Printed Name) Secretary (Title)
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Subscribed and sworn to before me

a. Is this an original filing?

Yes [X] No []

This _____ day of _____

- b. If no 1. State the amendment number
 2. Date filed
 3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....			0	
2. Stocks (Schedule D):			0	
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	3,706,965		3,706,965	3,500,000
3. Mortgage loans on real estate (Schedule B):			0	
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):			0	
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$....(571,968), Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$....7,158,494, Sch. DA).....	6,586,526		6,586,526	5,747,128
6. Contract loans (including \$.....0 premium notes).....			0	
7. Other invested assets (Schedule BA).....			0	
8. Receivables for securities.....			0	
9. Aggregate write-ins for invested assets.....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	10,293,491	0	10,293,491	9,247,128
11. Title plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	24,551		24,551	12,264
13. Premiums and considerations:			0	
13.1 Uncollected premiums and agents' balances in course of collection.....	308,593		308,593	155,374
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
13.3 Accrued retrospective premiums.....			0	
14. Reinsurance:			0	
14.1 Amounts recoverable from reinsurers.....			0	50,000
14.2 Funds held by or deposited with reinsured companies.....			0	
14.3 Other amounts receivable under reinsurance contracts.....			0	
15. Amounts receivable relating to uninsured plans.....			0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
16.2 Net deferred tax asset.....			0	
17. Guaranty funds receivable or on deposit.....			0	
18. Electronic data processing equipment and software.....			0	
19. Furniture and equipment, including health care delivery assets (\$.....0)			0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....	232,385		232,385	501,088
22. Health care (\$....725,457) and other amounts receivable.....	725,457		725,457	858,926
23. Aggregate write-ins for other than invested assets.....	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	11,584,477	0	11,584,477	10,824,780
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	11,584,477	0	11,584,477	10,824,780

DETAILS OF WRITE-INS

0901.....			0	
0902.....			0	
0903.....			0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0
2301.....			0	
2302.....			0	
2303.....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	0	0	0	0

Statement as of December 31, 2005 of the **Physicians Health Plan of Mid-Michigan - FamilyCare**
LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	4,391,353		4,391,353	3,909,055
2. Accrued medical incentive pool and bonus amounts.....	319,012		319,012	120,881
3. Unpaid claims adjustment expenses.....	38,229		38,229	40,259
4. Aggregate health policy reserves.....	528,695		528,695	
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....			0	
9. General expenses due or accrued.....	92,460		92,460	71,414
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....			0	
13. Remittances and items not allocated.....			0	
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	485,331		485,331	435,565
16. Payable for securities.....			0	
17. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....			0	
18. Reinsurance in unauthorized companies.....			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
20. Liability for amounts held under uninsured accident and health plans.....			0	
21. Aggregate write-ins for other liabilities (including \$.....0 current).....	0	0	0	0
22. Total liabilities (Lines 1 to 21).....	5,855,080	0	5,855,080	4,577,174
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX		
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX		
27. Surplus notes.....	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	5,729,397	6,247,606
30. Less treasury stock at cost:				
30.1 ....0.000 shares common (value included in Line 24 \$.....0).....	XXX	XXX		
30.2 ....0.000 shares preferred (value included in Line 25 \$.....0).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 28 minus Line 29).....	XXX	XXX	5,729,397	6,247,606
32. Total liabilities, capital and surplus (Lines 22 and 30).....	XXX	XXX	11,584,477	10,824,780

DETAILS OF WRITE-INS

2101.....			0	
2102.....			0	
2103.....			0	
2198. Summary of remaining write-ins for Line 21 from overflow page.....	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above).....	0	0	0	0
2301.....	XXX	XXX		
2302.....	XXX	XXX		
2303.....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	XXX	XXX	0	0
2801.....	XXX	XXX		
2802.....	XXX	XXX		
2803.....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page.....	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above).....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	....236,680	....204,888
2. Net premium income (including \$.....0 non-health premium income).....	XXX.....	....37,474,350	....35,082,521
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....		
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX.....		
5. Risk revenue.....	XXX.....		
6. Aggregate write-ins for other health care related revenues.....	XXX.....	....(2,203,139)	....(2,059,341)
7. Aggregate write-ins for other non-health revenues.....	XXX.....	....0	....0
8. Total revenues (Lines 2 to 7).....	XXX.....	....35,271,211	....33,023,180
Hospital and Medical:			
9. Hospital/medical benefits.....		....19,205,172	....18,723,121
10. Other professional services.....		....2,454,799	....2,317,599
11. Outside referrals.....			
12. Emergency room and out-of-area.....		....3,284,596	....3,145,734
13. Prescription drugs.....		....6,138,809	....5,337,737
14. Aggregate write-ins for other hospital and medical.....	0	....260,647	....(300,153)
15. Incentive pool, withhold adjustments and bonus amounts.....		....286,187	....132,221
16. Subtotal (Lines 9 to 15).....	0	....31,630,210	....29,356,259
Less:			
17. Net reinsurance recoveries.....		....197,059	....53,604
18. Total hospital and medical (Lines 16 minus 17).....	0	....31,433,151	....29,302,655
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$....40,560 cost containment expenses.....		....1,193,201	....1,482,896
21. General administrative expenses.....		....2,885,798	....2,630,490
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		....528,695	
23. Total underwriting deductions (Lines 18 through 22).....	0	....36,040,845	....33,416,041
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	....(769,634)	....(392,861)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		....360,997	....60,011
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....		....(21)	
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	....360,976	....60,011
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....	0	....0	....0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX.....	....(408,658)	....(332,850)
31. Federal and foreign income taxes incurred.....	XXX.....		
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	....(408,658)	....(332,850)

DETAILS OF WRITE-INS

0601. QAAP Taxes.....	XXX.....	....(2,203,139)	....(2,059,341)
0602.	XXX.....		
0603.	XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX.....	....0	....0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX.....	....(2,203,139)	....(2,059,341)
0701.	XXX.....		
0702.	XXX.....		
0703.	XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX.....	....0	....0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX.....	....0	....0
1401. Other Medical Costs.....		....260,647	....(300,153)
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	....0	....0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	....260,647	....(300,153)
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	....0	....0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	....0	....0

Physicians Health Plan of Mid-Michigan - FamilyCare
STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	6,247,606	4,580,456
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32.....	(408,658)	(332,850)
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0	(109,551)	
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....		
39. Change in nonadmitted assets.....		
40. Change in unauthorized reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....	2,000,000	
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	(518,209)	1,667,150
49. Capital and surplus end of reporting period (Line 33 plus 48).....	5,729,397	6,247,606

DETAILS OF WRITE-INS

4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	..37,321,131	34,976,867
2. Net investment income.....	..348,689	51,992
3. Miscellaneous income.....	(2,203,139)	(2,059,341)
4. Total (Lines 1 through 3).....	..35,466,681	32,969,518
5. Benefit and loss related payments.....	..31,897,953	31,499,613
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	..2,864,752	2,851,998
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) \$.....0 net of tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	..34,762,705	34,351,611
11. Net cash from operations (Line 4 minus Line 10).....	..703,976	(1,382,093)
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....		
12.2 Stocks.....	993	
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....	.21	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,014	.0
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....		
13.2 Stocks.....	..317,530	3,500,000
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	109,551	
13.7 Total investments acquired (Lines 13.1 to 13.6).....	..427,081	3,500,000
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14).....	(426,067)	(3,500,000)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		2,000,000
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	.561,489	(1,911,147)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	..561,489	..88,853
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	..839,398	(4,793,240)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	..5,747,128	10,540,368
19.2 End of year (Line 18 plus Line 19.1).....	..6,586,526	..5,747,128

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
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ANALYSIS OF OPERATION BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Net premium income.....	37,474,350							37,474,350					
2. Change in unearned premium reserves and reserve for rate credit.....	0												
3. Fee-for-service (net of \$.....0 medical expenses).....	0												.XXX.....
4. Risk revenue.....	0												.XXX.....
5. Aggregate write-ins for other health care related revenues.....	(2,203,139)	0	0	0	0	0	0	(2,203,139)	0	0	0	0	.XXX.....
6. Aggregate write-ins for other non-health care related revenues.....	0	XXX.	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6).....	35,271,211	0	0	0	0	0	0	35,271,211	0	0	0	0	0
8. Hospital/medical benefits.....	19,205,172							19,205,172					.XXX.....
9. Other professional services.....	2,454,799							2,454,799					.XXX.....
10. Outside referrals.....	0												.XXX.....
11. Emergency room and out-of-area.....	3,284,596							3,284,596					.XXX.....
12. Prescription drugs.....	6,138,809							6,138,809					.XXX.....
13. Aggregate write-ins for other hospital and medical.....	260,647	0	0	0	0	0	0	260,647	0	0	0	0	.XXX.....
14. Incentive pool, withhold adjustments and bonus amounts.....	286,187							286,187					.XXX.....
15. Subtotal (Lines 8 to 14).....	31,630,210	0	0	0	0	0	0	31,630,210	0	0	0	0	.XXX.....
16. Net reinsurance recoveries.....	197,059							197,059					.XXX.....
17. Total hospital and medical (Lines 15 minus 16).....	31,433,151	0	0	0	0	0	0	31,433,151	0	0	0	0	.XXX.....
18. Non-health claims (net).....	0	XXX.	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$.....0 cost containment expenses.....	1,193,201							1,193,201					
20. General administrative expenses.....	2,885,798							2,885,798					
21. Increase in reserves for accident and health contracts.....	528,695							528,695					.XXX.....
22. Increase in reserve for life contracts.....	0	XXX.	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22).....	36,040,845	0	0	0	0	0	0	36,040,845	0	0	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23).....	(769,634)	0	0	0	0	0	0	(769,634)	0	0	0	0	0

DETAILS OF WRITE-INS

0501. QAAP Taxes.....	(2,203,139)							(2,203,139)					.XXX.....
0502. ....0	0												.XXX.....
0503. ....0	0												.XXX.....
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0	0	0	0	.XXX.....
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	(2,203,139)	0	0	0	0	0	0	(2,203,139)	0	0	0	0	.XXX.....
0601. ....0	0	XXX.	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....0	0	XXX.	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....0	0	XXX.	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	XXX.	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	0	XXX.	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Other Medical Costs.....	260,647							260,647					.XXX.....
1302. ....0	0												.XXX.....
1303. ....0	0												.XXX.....
1398. Summary of remaining write-ins for Line 13 from overflow page.....	0	0	0	0	0	0	0	0	0	0	0	0	.XXX.....
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above).....	260,647	0	0	0	0	0	0	260,647	0	0	0	0	.XXX.....

UNDERWRITING AND INVESTMENT EXHIBIT**PART 1 - PREMIUMS**

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....				0
2. Medicare supplement.....				0
3. Dental only.....				0
4. Vision only.....				0
5. Federal employees health benefits plan.....				0
6. Title XVIII - Medicare.....				0
7. Title XIX - Medicaid.....	37,646,965		172,615	37,474,350
8. Stop loss.....				0
9. Disability income.....				0
10. Long-term care.....				0
11. Other health.....				0
12. Health subtotal (Lines 1 through 11).....	37,646,965	.0	172,615	37,474,350
13. Life.....				0
14. Property/casualty.....				0
15. Totals (Lines 12 to 14).....	37,646,965	.0	172,615	37,474,350

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Payments during the year:													
1.1 Direct.....	30,728,753							30,728,753					
1.2 Reinsurance assumed.....	0												
1.3 Reinsurance ceded.....	247,059							247,059					
1.4 Net.....	30,481,694	0	0	0	0	0	0	30,481,694	0	0	0	0	0
2. Paid medical incentive pools and bonuses.....	88,057							88,057					
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct.....	4,391,353							4,391,353					
3.2 Reinsurance assumed.....	0												
3.3 Reinsurance ceded.....	0												
3.4 Net.....	4,391,353	0	0	0	0	0	0	4,391,353	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct.....	0												
4.2 Reinsurance assumed.....	0												
4.3 Reinsurance ceded.....	0												
4.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	319,012							319,012					
6. Net healthcare receivables (a).....	132,972							132,972					
7. Amounts recoverable from reinsurers December 31, current year.....	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct.....	3,909,055							3,909,055					
8.2 Reinsurance assumed.....	0												
8.3 Reinsurance ceded.....	0												
8.4 Net.....	3,909,055	0	0	0	0	0	0	3,909,055	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct.....	0												
9.2 Reinsurance assumed.....	0												
9.3 Reinsurance ceded.....	0												
9.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	120,881							120,881					
11. Amounts recoverable from reinsurers December 31, prior year.....	50,000							50,000					
12. Incurred benefits:													
12.1 Direct.....	31,344,023	0	0	0	0	0	0	31,344,023	0	0	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	197,059	0	0	0	0	0	0	197,059	0	0	0	0	0
12.4 Net.....	31,146,964	0	0	0	0	0	0	31,146,964	0	0	0	0	0
13. Incurred medical incentive pools and bonuses.....	286,188	0	0	0	0	0	0	286,188	0	0	0	0	0

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR**

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other Health	13 Other Non-Health
1. Reported in process of adjustment:													
1.1 Direct.....	855,469							855,469					
1.2 Reinsurance assumed.....	0												
1.3 Reinsurance ceded.....	0												
1.4 Net.....	855,469	0	0	0	0	0	0	855,469	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct.....	3,535,884							3,535,884					
2.2 Reinsurance assumed.....	0												
2.3 Reinsurance ceded.....	0												
2.4 Net.....	3,535,884	0	0	0	0	0	0	3,535,884	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct.....	0												
3.2 Reinsurance assumed.....	0												
3.3 Reinsurance ceded.....	0												
3.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct.....	4,391,353	0	0	0	0	0	0	4,391,353	0	0	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net.....	4,391,353	0	0	0	0	0	0	4,391,353	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....					0	
2. Medicare supplement.....					0	
3. Dental only.....					0	
4. Vision only.....					0	
5. Federal employees health benefits plan.....					0	
6. Title XVIII - Medicare.....					0	
7. Title XIX - Medicaid.....	2,751,215	27,780,479	152,054	4,239,298	2,903,269	3,909,055
8. Other health.....					0	
9. Health subtotal (Lines 1 to 8).....	2,751,215	27,780,479	152,054	4,239,298	2,903,269	3,909,055
10. Healthcare receivables (a).....	175,809	549,648			175,809	.858,429
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	16,428	71,629	3,463	315,549	19,891	120,881
13. Totals (Lines 9 - 10 + 11 + 12).....	2,591,834	27,302,460	155,517	4,554,847	2,747,351	3,171,507

(a) Excludes \$.0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX		.30,009	
5. 2004.....	.XXX	.XXX	.XXX		.27,153
6. 2005.....	.XXX	.XXX	.XXX	XXX	.27,780

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX		.32,690	
5. 2004.....	.XXX	.XXX	.XXX		.30,172
6. 2005.....	.XXX	.XXX	.XXX	XXX	.32,020

12.GT

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				.0.0	.0	.0.0			.0	.0.0
2. 2002.....				.0.0	.0	.0.0			.0	.0.0
3. 2003.....	.36,677	.31,707	.1,430	.4.5	.33,137	.90.3			.33,137	.90.3
4. 2004.....	.35,251	.29,904	.1,610	.5.4	.31,514	.89.4	.156		.31,670	.89.8
5. 2005.....	.37,474	.27,780	.1,195	.4.3	.28,975	.77.3	.4,555	.38	.33,568	.89.6

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

12.HM

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				.00	0	.00			.0	.00
2. 2002.....				.00	0	.00			.0	.00
3. 2003.....				.00	0	.00			.0	.00
4. 2004.....				.00	0	.00			.0	.00
5. 2005.....				.00	0	.00			.0	.00

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

12.MS

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				.00	0	.00			.0	.00
2. 2002.....				.00	0	.00			.0	.00
3. 2003.....				.00	0	.00			.0	.00
4. 2004.....				.00	0	.00			.0	.00
5. 2005.....				.00	0	.00			.0	.00

Physicians Health Plan of Mid-Michigan - FamilyCare**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

12.DD

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				.00	0	.00			.0	.00
2. 2002.....				.00	0	.00			.0	.00
3. 2003.....				.00	0	.00			.0	.00
4. 2004.....				.00	0	.00			.0	.00
5. 2005.....				.00	0	.00			.0	.00

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				.00	0	.00			.0	.00
2. 2002.....				.00	0	.00			.0	.00
3. 2003.....				.00	0	.00			.0	.00
4. 2004.....				.00	0	.00			.0	.00
5. 2005.....				.00	0	.00			.0	.00

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				.00	0	.00			.0	.00
2. 2002.....				.00	0	.00			.0	.00
3. 2003.....				.00	0	.00			.0	.00
4. 2004.....				.00	0	.00			.0	.00
5. 2005.....				.00	0	.00			.0	.00

Physicians Health Plan of Mid-Michigan - FamilyCare**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				.00	0	.00			.0	.00
2. 2002.....				.00	0	.00			.0	.00
3. 2003.....				.00	0	.00			.0	.00
4. 2004.....				.00	0	.00			.0	.00
5. 2005.....				.00	0	.00			.0	.00

Physicians Health Plan of Mid-Michigan - FamilyCare**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX		.30,009	
5. 2004.....	.XXX	.XXX	.XXX		.27,153
6. 2005.....	.XXX	.XXX	.XXX	XXX	.27,780

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX		.32,690	
5. 2004.....	.XXX	.XXX	.XXX		.30,172
6. 2005.....	.XXX	.XXX	.XXX	XXX	.32,020

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				.0.0	0	.0.0			.0	.0.0
2. 2002.....				.0.0	0	.0.0			.0	.0.0
3. 2003.....	.36,677	31,707	1,430	.4.5	33,137	.90.3			33,137	.90.3
4. 2004.....	.35,251	29,904	1,610	.5.4	31,514	.89.4	156		31,670	.89.8
5. 2005.....	.37,474	27,780	1,195	.4.3	28,975	.77.3	4,555	38	33,568	.89.6

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION B - INCURRED HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....					
2. 2001.....					
3. 2002.....	.XXX				
4. 2003.....	.XXX	.XXX			
5. 2004.....	.XXX	.XXX	.XXX		
6. 2005.....	.XXX	.XXX	.XXX	.XXX	XXX

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....				.00	0	.00			.0	.00
2. 2002.....				.00	0	.00			.0	.00
3. 2003.....				.00	0	.00			.0	.00
4. 2004.....				.00	0	.00			.0	.00
5. 2005.....				.00	0	.00			.0	.00

UNDERWRITING AND INVESTMENT EXHIBIT**PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY**

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Stop Loss	10 Disability Income	11 Long-Term Care	12 Other
POLICY RESERVE												
1. Unearned premium reserves.....	0											
2. Additional policy reserves (a).....	528,695								528,695			
3. Reserve for future contingent benefits.....	0											
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	0											
5. Aggregate write-ins for other policy reserves.....	0	0	0	0	0	0	0	0	0	0	0	0
6. Totals (gross).....	528,695	0	0	0	0	0	0	528,695	0	0	0	0
7. Reinsurance ceded.....	0											
8. Totals (net) (Page 3, Line 4).....	528,695	0	0	0	0	0	0	528,695	0	0	0	0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims.....	0											
10. Reserve for future contingent benefits.....	0											
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0											
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS												
0501.....	0											
0502.....	0											
0503.....	0											
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0	0	0	0	0	0	0	0	0	0
1101.....	0											
1102.....	0											
1103.....	0											
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes \$....528,695 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT**PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	189	5,023	9,108		14,320
2. Salaries, wages and other benefits.....	18,068	559,725	1,283,670		1,861,463
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....	1,022	24,526	35,280		60,828
4. Legal fees and expenses.....		4,074	21,320		25,394
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....			499,574		499,574
7. Traveling expenses.....		1,275	6,670		7,945
8. Marketing and advertising.....					0
9. Postage, express and telephone.....	.8,064	204,256	334,518		546,838
10. Printing and office supplies.....	.250	6,625	60,068		66,943
11. Occupancy, depreciation and amortization.....	.652	23,504	63,615		87,771
12. Equipment.....					0
13. Cost or depreciation of EDP equipment and software.....	123	4,996	14,964		20,083
14. Outsourced services including EDP, claims, and other services.....	7,522	190,831	313,578		511,931
15. Boards, bureaus and association fees.....		3,470	18,160		21,630
16. Insurance, except on real estate.....		10,271	53,748		64,019
17. Collection and bank service charges.....		.3	15		18
18. Group service and administration fees.....					0
19. Reimbursements by uninsured accident and health plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....		2,745	14,363		17,108
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....	356	8,542	12,288		21,186
23.3 Regulator authority licenses and fees.....					0
23.4 Payroll taxes.....					0
23.5 Other (excluding federal income and real estate taxes).....		1,509	7,858		9,367
24. Investment expenses not included elsewhere.....	.49	1,184	1,703		2,936
25. Aggregate write-ins for expenses.....	4,265	100,083	135,297	.0	239,645
26. Total expenses incurred (Lines 1 to 25).....	40,560	1,152,642	2,885,797	.0	(a).....4,078,999
27. Less expenses unpaid December 31, current year.....		38,229	92,460		130,689
28. Add expenses unpaid December 31, prior year.....		40,259	71,414		111,673
29. Amounts receivable relating to uninsured accident and health plans, prior year.....					0
30. Amounts receivable relating to uninsured accident and health plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	40,560	1,154,672	2,864,751	.0	4,059,983

DETAILS OF WRITE-INS

2501. Miscellaneous.....	4,265	100,083	135,297		239,645
2502.					0
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	4,265	100,083	135,297	.0	239,645

(a) Includes management fees of \$....1,584,515 to affiliates and \$....2,405,837 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....	
1.1 Bonds exempt from U.S. tax.....	(a).....	
1.2 Other bonds (unaffiliated).....	(a).....	
1.3 Bonds of affiliates.....	(a).....	
2.1 Preferred stocks (unaffiliated).....	(b).....	
2.11 Preferred stocks of affiliates.....	(b).....	
2.2 Common stocks (unaffiliated).....	179,530	179,530
2.21 Common stocks of affiliates.....	.....
3. Mortgage loans.....	(c).....	
4. Real estate.....	(d).....	
5. Contract loans.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....185,160	197,446
7. Derivative instruments.....	(f).....	
8. Other invested assets.....	.....
9. Aggregate write-ins for investment income.....	0	0
10. Total gross investment income.....	364,690	376,976
11. Investment expenses.....	(g).....	
12. Investment taxes, licenses and fees, excluding federal income taxes.....	(g).....	
13. Interest expense.....	(h).....	
14. Depreciation on real estate and other invested assets.....	(i).....0	0
15. Aggregate write-ins for deductions from investment income.....	.....	15,979
16. Total deductions (Lines 11 through 15).....	.....	15,979
17. Net investment income (Line 10 minus Line 16).....	360,997	

DETAILS OF WRITE-INS

0901.....		
0902.....		
0903.....		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0
1501. Bank Fees.....		15,979
1502.....		
1503.....		
1598. Summary of remaining write-ins for Line 15 from overflow page.....		0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....		15,979

- (a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. government bonds.....				0
1.1 Bonds exempt from U.S. tax.....				0
1.2 Other bonds (unaffiliated).....				0
1.3 Bonds of affiliates.....				0
2.1 Preferred stocks (unaffiliated).....				0
2.11 Preferred stocks of affiliates.....				0
2.2 Common stocks (unaffiliated).....	(21)		(109,551)	(109,572)
2.21 Common stocks of affiliates.....				0
3. Mortgage loans.....				0
4. Real estate.....				0
5. Contract loans.....				0
6. Cash, cash equivalents and short-term investments.....				0
7. Derivative instruments.....				0
8. Other invested assets.....				0
9. Aggregate write-ins for capital gains (losses).....	0	0	0	0
10. Total capital gains (losses).....	(21)	0	(109,551)	(109,572)

DETAILS OF WRITE-INS

0901.....				0
0902.....				0
0903.....				0
0998. Summary of remaining write-ins for Line 9 from overflow page....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			0
2.2 Common stocks.....			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			0
3.2 Other than first liens.....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			0
4.2 Properties held for the production of income.....			0
4.3 Properties held for sale.....			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			0
6. Contract loans.....			0
7. Other invested assets (Schedule BA).....			0
8. Receivables for securities.....			0
9. Aggregate write-ins for invested assets.....	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	0	0	0
11. Title plants (for Title insurers only).....			0
12. Investment income due and accrued.....			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection.....			0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
13.3 Accrued retrospective premiums.....			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers.....			0
14.2 Funds held by or deposited with reinsured companies.....			0
14.3 Other amounts receivable under reinsurance contracts.....			0
15. Amounts receivable relating to uninsured plans.....			0
16.1 Current federal and foreign income tax recoverable and interest thereon.....			0
16.2 Net deferred tax asset.....			0
17. Guaranty funds receivable or on deposit.....			0
18. Electronic data processing equipment and software.....			0
19. Furniture and equipment, including health care delivery assets.....			0
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0
21. Receivable from parent, subsidiaries and affiliates.....			0
22. Health care and other amounts receivable.....			0
23. Aggregate write-ins for other than invested assets.....	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	0	0	0
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
26. TOTALS (Lines 24 and 25).....	0	0	0

NONE**DETAILS OF WRITE-INS**

0901.....			0
0902.....			0
0903.....			0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0
2301.....			0
2302.....			0
2303.....			0
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	0	0	0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	17,939	19,114	19,682	19,930	20,277	.236,680
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....						
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	.0
7. Total.....	17,939	19,114	19,682	19,930	20,277	.236,680

DETAILS OF WRITE-INS

0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	.0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	0	0	0	0	0	.0

NOTES TO FINANCIAL STATEMENTS**NOTES TO FINANCIAL STATEMENTS****1. SIGNIFICANT ACCOUNTING POLICIES**

Organization— Physicians Health Plan of Mid-Michigan— FamilyCare (‘PHPMM-FC’) is a nonprofit health maintenance organization (‘HMO’) under the laws of the State of Michigan and is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. Under the articles of incorporation, Physicians Health Plan of Mid-Michigan (‘PHPMM’) is the sole member. Effective December 31, 2002, all Medicaid enrollees of PHPMM were transferred to PHPMM-FC, as was the Medicaid HMO contract with the State of Michigan. Sparrow Health System is the sole member of PHPMM.

Basis of Presentation— The statutory basis financial statements have been prepared on the basis of accounting practices prescribed or permitted by the Office of Financial and Insurance Services of the State of Michigan (‘OFIS’). These practices differ in some respects from accounting principles generally accepted in the United States of America (‘GAAP’). Certain assets are considered non-admitted for statutory purposes and are excluded from the balance sheet.

The statutory financial statements are prepared in accordance with the National Association of Insurance Commissioners (‘NAIC’) Accounting Practices and Procedures Manual— Version effective January 1, 2001 (the ‘Manual’) as modified by OFIS (statutory accounting principles). Accordingly, the admitted assets, liabilities and surplus of PHPMM— FC as of December 31, 2005 and 2004, and the results of its operations and its cash flow for the years then ended have been determined in accordance with the statutory accounting principles.

Accounting practices and procedures as prescribed or permitted by OFIS comprise a comprehensive basis of accounting other than GAAP. The more significant statutory accounting practices, which differ from GAAP, are as follows:

- The effects of reinsurance are netted against the corresponding assets, liabilities, income, or expenses.
- Certain assets, such as premiums over 90 days past due, goodwill and prepaid expenses are ‘non-admitted’ and are charged against capital and surplus.
- Computer software applications are treated as a non-admitted asset and charged against capital and surplus.
- Changes in unrealized appreciation and depreciation in the value of common stocks are reflected as direct increases or decreases in capital and surplus.
- Classification of items in the statement of cash flows differs from GAAP.

The annual filing includes the medical cost and medical payables from Physicians Health Network (‘PHN’) as required by OFIS in accordance with state laws enacted in June 2000. PHN is a wholly-owned subsidiary of Sparrow Health System (SHS). All other information related to PHN has been eliminated and offset by the respective receivable and income reflected in the assets and revenue of PHPMM-FC.

Cash and Short-Term Investments— Included in cash and short-term investments are cash and cash equivalents with original maturities of less than three months and other investments with original maturities of less than one year.

Restricted Investments— In accordance with Michigan regulatory requirements, PHPMM and PHPMM-FC maintain restricted investments under an agreement with OFIS. The restricted investment reserves are stated at fair value and classified as a non-current asset as they are not available for working capital purposes.

Common Stocks— Common stocks are carried at fair value.

Claims Unpaid— Accrued medical claims and related expenses (hospitalization and other outside medical services) include amounts billed and not paid and an estimate of costs incurred for unbilled services provided at the balance sheet date including claims payable of PHN, as required by the order from OFIS. Such estimates are based on historical payment patterns using actuarial techniques and are regularly reviewed and updated.

Revenue Recognition— Premium revenues are recognized in the period in which enrollees are entitled to receive health care services. Premiums received prior to the period of service are recorded as unearned premiums in the accompanying balance sheets. The contract with the State of Michigan for Medicaid HMO services accounted for approximately 100% of total premiums revenue for 2005 and 2004.

Minimum Net Worth Requirements— Under the laws of the State of Michigan, PHPMM-FC is required to maintain a minimum net worth and statutory capital. PHPMM-FC was in compliance with the state statutory net worth and statutory capital requirements at December 31, 2005.

The State of Michigan further requires HMOs to maintain positive working capital defined as current assets (net of statutory deposits and escrow) less current liabilities. PHPMM-FC has positive working capital when measured using the statutory basis of accounting.

In addition, the State of Michigan requires PHPMM-FC to provide a statutory deposit. PHPMM-FC maintains its statutory deposit of \$1,000,000 within investments. Currently, PHPMM-FC is in compliance with the statutory deposit

NOTES TO FINANCIAL STATEMENTS

requirements.

Use of Estimates—The statutory basis financial statements have been prepared in accordance with the accounting practices prescribed or permitted by OFIS. This basis requires the use of certain estimates, the most significant of which are related to incurred but unreported claims for medical services. Actual results could differ from these estimates.

Hospital/Medical Benefits—Hospital/Medical benefit expenses include claims paid, claims in process and pending, and estimated unreported claims and charges by physicians, hospitals, and other health care providers for services rendered to PHPMM-FC enrollees during the year and are actuarially determined. Adjustments to prior period estimates are reflected in the current period, and changes in these estimates could be significant.

Accrued Medical Incentive Pool and Bonus Amounts—Participating physicians and hospitals are reimbursed for health care services provided at less than 100% of their allowable fees. In addition, a percentage of each participating providers reimbursement is withheld as a Physician or Hospital Incentive Allowance (‘PIA’). The purpose of the PIA is to offset operating deficits, to provide working capital, to fund regulatory requirements, and to provide an incentive for participating physicians and hospitals to control medical costs. At the discretion of the Board of Directors and subject to certain HMO restrictions, all, a portion, or none of the PIA accumulated during the year may be returned to participating providers. It is expected that the Board of Directors will elect to return all of the PIA withheld for 2005 in the amount of \$319,012, as all criteria to return the PIA have been met. The decision will be finalized based upon receipt of the audited financial statements. The Board of Directors elected to return all of the PIA withheld for 2004 in the amount of \$120,881. These amounts are included in medical services expenses and physician and hospital incentive allowance in the accompanying financial statements.

General Administrative Services—PHPMM-FC has an administrative services agreement with United Healthcare Services, Inc. (‘UHS’), which covers administrative services that are system dependent (i.e., billing, enrollment, claims processing, and accounting). The agreement expires December 31, 2006. UHS provides these services to PHPMM-FC for a fee based on a per member per month basis plus additional ‘pass-through’ costs. PHPMM-FC withholds a portion of the service fee, which may be paid contingent upon UHS’s performance under the terms of the agreement.

Premium Deficiency Reserves—A reserve for premium deficiency and the related expense is recognized when it is probable that expected future health care costs, under an existing contract, will exceed future premiums and stop-loss coverage recoveries anticipated over the remaining term of the contract. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated. Any adjustments resulting from these are reflected in current operations. Estimates in reserves are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. Loss contract accruals would be included in aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, capital and surplus.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

Not applicable.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

NOTES TO FINANCIAL STATEMENTS**5. INVESTMENTS**

At December 31, 2005, the amortized cost, fair value and net holding gains and losses of investments, including restricted investments of \$1,034,494, are as follows:

	2005		
	Amortized Cost	Net Unrealized Gain	Fair Value
Cash and short-term investments	\$ 6,586,526	\$ -	\$ 6,586,526
Common stock	3,706,965		3,706,965
Total	<u>\$ 10,293,491</u>	<u>\$ -</u>	<u>\$ 10,293,491</u>
Investment income--interest income	<u>\$ 360,997</u>		

At December 31, 2004, the amortized cost, fair value and net holding gains and losses of investments, including restricted investments of \$1,010,378, are as follows:

	2004		
	Amortized Cost	Net Unrealized Losses	Fair Value
Cash and short-term investments	\$ 5,747,128	\$ -	\$ 5,747,128
Common stock	\$ 3,500,000		\$ 3,500,000
Total	<u>\$ 9,247,128</u>	<u>\$ -</u>	<u>\$ 9,247,128</u>
Investment income--interest income	<u>\$ 60,011</u>		

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

PHPMM-FC has no investments in Joint Ventures, Partnerships, or Limited Liability Companies that exceed 10% of its admitted assets.

7. INVESTMENT INCOME

All income due or accrued has been included in the filing.

8. DERIVATIVE INSTRUMENTS

Not applicable.

9. INCOME TAXES

PHPMM-FC is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

PHPMM-FC is solely owned by PHPMM, an HMO organized under the laws of the State of Michigan, and a controlled entity of Sparrow Health System ('SHS').

PHPMM has a contract with PHN. PHPMM members obtain medical services from PHN.

Substantially all administrative services are provided by PHPMM. PHPMM-FC pays PHPMM an amount equal to 20% of certain administrative expenses incurred by PHPMM, which totaled \$2,226,070 in 2005 and \$1,961,537 in 2004.

11. DEBT

Not applicable.

NOTES TO FINANCIAL STATEMENTS

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTRETIREMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

Not applicable..

13. CAPITAL AND SURPLUS, SHAREHOLDERS DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

Not applicable.

14. CONTINGENCIES

PHPMM-FC is required to periodically file financial statements with regulatory agencies in accordance with statutory accounting and reporting practices. PHPMM-FC must comply with the minimum regulatory net worth requirement specified in the Michigan Insurance Code. The regulatory net worth of PHPMM-FC exceeded the aggregate minimum requirements in 2005 and 2004. At December 31, 2005, PHPMM-FC equity was at 312 % of RBC.

15. LEASES

PHPMM-FC had no lease obligations during 2005 or 2004.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Not applicable.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

Not applicable.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

Not applicable.

19. DIRECT PREMIUM WRITTEN PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

Not applicable.

20. SEPTEMBER 11 EVENTS

Not applicable.

21. OTHER ITEMS

Not applicable.

22. SUBSEQUENT EVENTS

There are no subsequent events to December 31, 2005 that require disclosure.

23. REINSURANCE

PHPMM-FC has a reinsurance contract whereby it cedes exposure of potential losses arising from medical claims, which are in excess of \$175,000. Amounts to be received under reinsurance agreements are recorded as a reduction in healthcare costs when the claim is identified and can be reasonable estimated. Reinsurance ceded contracts does not relieve PHPMM-FC from its obligations to providers. PHPMM-FC initially pays all claims and assumes responsibility for the portion reinsured, to the extent that the reinsured does not meet its obligations assumed under the reinsurance agreement. Reinsurance premiums, net of risk share, in 2005 and 2004 are \$172,615 and \$167,287, respectively, and net of reinsurance recoveries, in 2005 and 2004 are \$197,059 and \$117,287, respectively.

24. RETROSPECTIVELY RATED CONTRACTS

Not applicable.

NOTES TO FINANCIAL STATEMENTS**25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES**

Reserves for incurred claims, including accrued medical incentives, attributable to insured events prior to December 31, 2004 have decreased by \$3,016,000 from \$3,171,000 in 2004 to \$155,500 in 2005. Claims payments accounted for \$2,592,000 of this change while \$424,000 is due to changes in estimates, which are included in hospital/medical services expense in the accompanying statutory statements of operations.

26. INTERCOMPANY POOLING ARRANGEMENTS

Not applicable.

27. STRUCTURED SETTLEMENTS

Not applicable.

28. HEALTH CARE RECEIVABLES (In 000\$)**A. Pharmaceutical Rebate Receivables**

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2005	171				
9/30/2005	150	129	129		
6/30/2005	154	133	133		
3/30/2005	140	128	128		

12/31/2004	123	112	109		
9/30/2004	137	133	125		
6/30/2004	181	134	133		
3/30/2004	142	138	122		11

12/31/2003	143	92	82		10
9/30/2003	107	81	78		3
6/30/2003	142	66	60		6
3/30/2003	98	101	93		8

NOTES TO FINANCIAL STATEMENTS**B. Psychotropic Rebate Receivables**

Quarter	Estimated Psychotropic Rebates as Reported on Financial Statements	Psychotropic Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing

12/31/2005	326	25	25		
9/30/2005	306	312	312		
6/30/2005	316	314	314		
3/30/2005	313	312	312		

12/31/2004	312	435	435		
9/30/2004	513	495	77	418	
6/30/2004	515	630	285	339	6
3/30/2004	488	638	186	416	38

12/31/2003	493	529	353	176	
9/30/2003	538	128	107	21	
6/30/2003	533	545	544	193	
3/30/2003	760	954	306	648	

C. Risk Sharing Receivables

Calendar Year	Evaluation Period Year Ending	Risk Sharing Rec as Est in Prior Yr	Risk Share Rec as Est in Cur Yr	Risk Share Receivable Billed	Risk Share Rec Not Yet Billed	Actual Risk Share Amts	Actual Risk Share Amts Recd First Yr Subsequent	Actual Risk Share Amts Recd Second Yr Subsequent	Actual Risk Share Amts Recd All Other

2005	2005	30							
2006									

2004	2004	37	30	5	25	34	3		
2005									

2003	2003		37	3	34				
2004									

NOTES TO FINANCIAL STATEMENTS

29. PARTICIPATING POLICIES

Not applicable.

30. PREMIUM DEFICIENCY RESERVES

As of December 31, 2005, the Company had liabilities of \$528,695 related to premium deficiency reserves. The Company did not consider anticipated investment income when calculating its premium deficiency reserves.

31. ANTICIPATED SALVAGE AND SUBROGATION

Due to the type of business being written with this license, the Company has no salvage. As of December 31, 2005 and 2004 the company had no specific accruals established for outstanding subrogation, as it is considered as a component of the actuarial calculations used to develop the estimates of incurred but not yet reported claims.

Statement as of December 31, 2005 of the **Physicians Health Plan of Mid-Michigan - FamilyCare**
SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities.....		0.0		0.0
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....		0.0		0.0
1.22 Issued by U.S. government sponsored agencies.....		0.0		0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations.....		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....		0.0		0.0
1.43 Revenue and assessment obligations.....		0.0		0.0
1.44 Industrial development and similar obligations.....		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA.....		0.0		0.0
1.512 Issued or guaranteed by FNMA and FHLMC.....		0.0		0.0
1.513 All other.....		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA.....		0.0		0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521.....		0.0		0.0
1.523 All other.....		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....		0.0		0.0
2.2 Unaffiliated foreign securities.....		0.0		0.0
2.3 Affiliated securities.....		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds.....		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated.....		0.0		0.0
3.22 Unaffiliated.....		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....		0.0		0.0
3.32 Unaffiliated.....	3,706,965	36.0	3,706,965	36.0
3.4 Other equity securities:				
3.41 Affiliated.....		0.0		0.0
3.42 Unaffiliated.....		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....		0.0		0.0
3.52 Unaffiliated.....		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development.....		0.0		0.0
4.2 Agricultural.....		0.0		0.0
4.3 Single family residential properties.....		0.0		0.0
4.4 Multifamily residential properties.....		0.0		0.0
4.5 Commercial loans.....		0.0		0.0
4.6 Mezzanine real estate loans.....		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company.....		0.0		0.0
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....		0.0		0.0
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt).....		0.0		0.0
6. Contract loans.....		0.0		0.0
7. Receivables for securities.....		0.0		0.0
8. Cash, cash equivalents and short-term investments.....	6,586,526	64.0	6,586,526	64.0
9. Other invested assets.....		0.0		0.0
10. Total invested assets.....	10,293,491	100.0	10,293,491	100.0

GENERAL INTERROGATORIES**PART 1 - COMMON INTERROGATORIES****GENERAL**

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []

1.3 State regulating? Michigan

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]

2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity.

This date should be the date of the examined balance sheet and not the date the report was completed or released.

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

3.4 By what department or departments? Michigan Office of Financial & Insurance Services (OFIS)

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [] No [X]

4.12 renewals? Yes [] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [] No [X]

4.22 renewals? Yes [] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Co. Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No [X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. %

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche 600 Renaissance Center, Detroit MI 48243-1895

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Reden-Anders 222 South Ninth Street, Minneapolis MN 55400

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

11.11 Name of real estate holding company: N/A

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value

11.2 If yes, provide explanation.

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []

12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []

14. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []

15. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

GENERAL INTERROGATORIES**PART 1 - COMMON INTERROGATORIES****FINANCIAL**

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 16.11 To directors or other officers \$.....0
 16.12 To stockholders not officers \$.....0
 16.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
 16.21 To directors or other officers \$.....0
 16.22 To stockholders not officers \$.....0
 16.23 Trustees, supreme or grand (Fraternal only) \$.....0
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:
 17.21 Rented from others \$.....0
 17.22 Borrowed from others \$.....0
 17.23 Leased from others \$.....0
 17.24 Other \$.....0
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 18.2 If answer is yes:
 18.21 Amount paid as losses or risk adjustment \$.....0
 18.22 Amount paid as expenses \$.....0
 18.23 Other amounts paid \$.....0
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....0

INVESTMENT

- 20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 3-Special Deposits? Yes [X] No []
- 20.2 If no, give full and complete information relating thereto.

- 21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 3-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1) Yes [] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
 21.21 Loaned to others
 21.22 Subject to repurchase agreements
 21.23 Subject to reverse repurchase agreements
 21.24 Subject to dollar repurchase agreements
 21.25 Subject to reverse dollar repurchase agreements
 21.26 Pledged as collateral
 21.27 Placed under option agreements
 21.28 Letter stock or securities restricted as to sale
 21.29 Other
- 21.3 For category (21.28) provide the following:
- | 1
Nature of Restriction | 2
Description | 3
Amount |
|----------------------------|------------------|-------------|
| | | |

- 22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
 22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A []
 If no, attach a description with this statement.
- 23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 23.2 If yes, state the amount thereof at December 31 of the current year.
24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

- 24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Mellon Bank	One Mellon Center, Pittsburgh PA 15258-0001

- 24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
N/A		

- 24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [] No [X]

- 24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Western Asset Management Co	117 E. Colorado Blvd Pasadena, CA 91105

- 25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [] No [X]

- 25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
25.2999. TOTAL		0

- 25.3 For each mutual fund listed in the table above, complete the following schedule:

GENERAL INTERROGATORIES**PART 1 - COMMON INTERROGATORIES**

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	Date of Valuation

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds.....	7,158,494	7,158,494	(0)
26.2 Preferred stocks.....			0
26.3 Totals.....	7,158,494	7,158,494	(0)

26.4 Describe the sources or methods utilized in determining the fair values:

National Association of Insurance Commissioners

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X] No []

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....20,519

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans	8,560

29.1 Amount of payments for legal expenses, if any? \$.....30,241

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Foster, Swift, Collins, & Smith	25,218

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....0

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (continued)**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]

 1.2 If yes, indicate premium earned on U.S. business only

 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?
 1.31 Reason for excluding

 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

 1.5 Indicate total incurred claims on all Medicare Supplement insurance.

 1.6 Individual policies:
 Most current three years:
 1.61 Total premium earned
 1.62 Total incurred claims
 1.63 Number of covered lives
 All years prior to most current three years:
 1.64 Total premium earned
 1.65 Total incurred claims
 1.66 Number of covered lives
 1.7 Group policies:
 Most current three years:
 1.71 Total premium earned
 1.72 Total incurred claims
 1.73 Number of covered lives
 All years prior to most current three years:
 1.74 Total premium earned
 1.75 Total incurred claims
 1.76 Number of covered lives
 2. Health test:

1 Current Year	2 Prior Year
.....37,474,350	.....35,082,521
.....37,474,350	.....35,082,521
.....100.0	.....100.0
.....5,239,059	.....3,121,506
.....5,239,060	.....4,029,936
.....100.0	.....77.5

 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]
 3.2 If yes, give particulars:

 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No []
 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No [X]
 5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No []
 5.2 If no, explain:

 5.3 Maximum retained risk (see instructions):
 5.31 Comprehensive medical \$.....232,500
 5.32 Medical only \$.....0
 5.33 Medicare supplement \$.....0
 5.34 Dental \$.....0
 5.35 Other limited benefit plan \$.....0
 5.36 Other \$.....0
 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
 PHPMM adheres to the Statutory deposit requirements established by the NAIC. PHPMM also has established margin at 8% on the balance sheet. In case of insolvency, PHPMM does not need to pay the management contract fee, which includes runout for future claims.
 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [X] No []
 7.2 If no, give details:

 8. Provide the following information regarding participating providers:
 8.1 Number of providers at start of reporting year985
 8.2 Number of providers at end of reporting year1,023
 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]
 9.2 If yes, direct premium earned:
 9.21 Business with the rate guarantees between 15-36 months
 9.22 Business with rate guarantees over 36 months
 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [X] No []
 10.2 If yes:
 10.21 Maximum amount payable bonuses \$.....200,000
 10.22 Amount actually paid for year bonuses \$.....34,448
 10.23 Maximum amount payable withhold \$.....319,012
 10.24 Amount actually paid for year withhold \$.....54,938
 11.1 Is the reporting entity organized as:
 11.12 A Medical Group/Staff Model, Yes [] No [X]

GENERAL INTERROGATORIES (continued)**PART 2 - HEALTH INTERROGATORIES**

- 11.13 An Individual Practice Association (IPA), or Yes [X] No []
 11.14 A Mixed Model (combination of above)? Yes [] No [X]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [X] No []
- 11.3 If yes, show the name of the state requiring such net worth. Michigan
- 11.4 If yes, show the amount required. \$.....3,674,906
Yes [] No [X]
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?
- 11.6 If the amount is calculated, show the calculation:
200% of authorized control level risk based capital
-

12. List service areas in which reporting entity is licensed to operate:

1	Name of Service Area
	Ingham County
	Clinton County
	Eaton County

Statement as of December 31, 2005 of the **Physicians Health Plan of Mid-Michigan - FamilyCare**
FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26).....	11,584,477	10,824,780	11,725,318	4,500,000	.....
2. Total liabilities (Page 3, Line 22).....	5,855,080	4,577,174	7,144,862	.....	.....
3. Statutory surplus.....	3,674,906	3,424,330	4,182,046	.....	.....
4. Total capital and surplus (Page 3, Line 31).....	5,729,397	6,247,606	4,580,456	4,500,000	.....
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	35,271,211	33,023,180	35,042,225	.....	.....
6. Total medical and hospital expenses (Line 18).....	31,433,151	29,302,655	32,773,624	.....	.....
7. Claims adjustment expenses (Line 20).....	1,193,201	1,482,896	1,429,875	.....	.....
8. Total administrative expenses (Line 21).....	2,885,798	2,630,490	2,502,330	.....	.....
9. Net underwriting gain (loss) (Line 24).....	(769,634)	(392,861)	(1,663,604)	.....	.....
10. Net investment gain (loss) (Line 27).....	360,976	60,011	35,713	.....	.....
11. Total other income (Lines 28 plus 29).....	.....	.....	1,708,347	.....	.....
12. Net income or (loss) (Line 32).....	(408,658)	(332,850)	.80,456	.....	.....
Risk-Based Capital Analysis					
13. Total adjusted capital.....	5,729,397	6,247,606	4,580,456	4,500,000	.....
14. Authorized control level risk-based capital.....	1,837,453	1,712,165	2,091,023	6,750	.....
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7).....	20,277	17,939	16,505	.....	.....
16. Total member months (Column 6, Line 7).....	236,680	204,888	223,737	.....	.....
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	83.9	83.5	89.7	.....	.....
19. Cost containment expenses.....	.1	.1	XXX	XXX	XXX
20. Other claims adjustment expenses.....	3.1	4.2	3.9	.....	.....
21. Total underwriting deductions (Line 23).....	.96.2	95.3	100.5	.....	.....
22. Total underwriting gain (loss) (Line 24).....	(2.1)	(1.1)	(4.6)	.....	.....
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13 Col. 5).....	2,747,351	1,776,826	.....	.....	.....
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)].....	3,171,507	2,764,184	.....	.....	.....
Investments in Parent, Subsidiaries and Affiliates					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1).....	.....	.....	.....	.....	.....
26. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1).....	.....	.....	.....	.....	.....
27. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2).....	.....	.....	.....	.....	.....
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11).....	.....	.....	.....	.....	.....
29. Affiliated mortgage loans on real estate.....	.....	.....	.....	.....	.....
30. All other affiliated.....	.....	.....	.....	.....	.....
31. Total of above Lines 25 to 30.....	0	0	.0	0	0

Physicians Health Plan of Mid-Michigan - FamilyCare**SCHEDULE D - SUMMARY BY COUNTRY**

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States.....				
	2. Canada.....				
	3. Other Countries.....				
	4. Totals.....	0	0	0	0
States, Territories and Possessions (Direct and guaranteed)	5. United States.....				
	6. Canada.....				
	7. Other Countries.....				
	8. Totals.....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....				
	10. Canada.....				
	11. Other Countries.....				
	12. Totals.....	0	0	0	0
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....				
	14. Canada.....				
	15. Other Countries.....				
	16. Totals.....	0	0	0	0
Public Utilities (Unaffiliated)	17. United States.....				
	18. Canada.....				
	19. Other Countries.....				
	20. Totals.....	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....				
	22. Canada.....				
	23. Other Countries.....				
	24. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals.....				
	26. Total Bonds.....	0	0	0	0
PREFERRED STOCKS Public Utilities (Unaffiliated)	27. United States.....				
	28. Canada.....				
	29. Other Countries.....				
	30. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....				
	32. Canada.....				
	33. Other Countries.....				
	34. Totals.....	0	0	0	0
Industrial and Miscellaneous (Unaffiliated)	35. United States.....				
	36. Canada.....				
	37. Other Countries.....				
	38. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals.....				
	40. Total Preferred Stocks.....	0	0	0	0
COMMON STOCKS Public Utilities (Unaffiliated)	41. United States.....				
	42. Canada.....				
	43. Other Countries.....				
	44. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....				
	46. Canada.....				
	47. Other Countries.....				
	48. Totals.....	0	0	0	0
Industrial and Miscellaneous (Unaffiliated)	49. United States.....	3,706,965	3,706,965	3,816,515	
	50. Canada.....				
	51. Other Countries.....				
	52. Totals.....	3,706,965	3,706,965	3,816,515	
Parent, Subsidiaries and Affiliates	53. Totals.....				
	54. Total Common Stocks.....	3,706,965	3,706,965	3,816,515	
	55. Total Stocks.....	3,706,965	3,706,965	3,816,515	
	56. Total Bonds and Stocks....	3,706,965	3,706,965	3,816,515	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	3,500,000	7. Amortization of premium.....	
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	317,530	8. Foreign exchange adjustment:	
3. Accrual of discount.....		8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....		8.3 Column 16, Part 2, Section 2.....	
4.2 Columns 15 - 17, Part 2, Section 1.....		8.4 Column 15, Part 4.....	0
4.3 Column 15, Part 2, Section 2.....	(109,550)	9. Book/adjusted carrying value at end of current period.....	3,706,966
4.4 Columns 11 - 13, Part 4.....	(109,550)	10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....	(21)	11. Subtotal (Lines 9 plus 10).....	3,706,966
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4.....	993	12. Total nonadmitted amounts.....	
		13. Statement value of bonds and stocks, current year.....	3,706,966

Physicians Health Plan of Mid-Michigan - FamilyCare
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Guaranty Fund (YES or NO)	2 Is Insurer Licensed? (YES or NO)	Accident & Health Premiums	Direct Business Only				
				3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Medicaid Title XIX	7 Life & Annuity Premiums and Deposit-Type Contract Funds
1. Alabama.....	.AL	.NO.	.NO.					
2. Alaska.....	.AK	.NO.	.NO.					
3. Arizona.....	.AZ	.NO.	.NO.					
4. Arkansas.....	.AR	.NO.	.NO.					
5. California.....	.CA	.NO.	.NO.					
6. Colorado.....	.CO	.NO.	.NO.					
7. Connecticut.....	.CT	.NO.	.NO.					
8. Delaware.....	.DE	.NO.	.NO.					
9. District of Columbia.....	.DC	.NO.	.NO.					
10. Florida.....	.FL	.NO.	.NO.					
11. Georgia.....	.GA	.NO.	.NO.					
12. Hawaii.....	.HI	.NO.	.NO.					
13. Idaho.....	.ID	.NO.	.NO.					
14. Illinois.....	.IL	.NO.	.NO.					
15. Indiana.....	.IN	.NO.	.NO.					
16. Iowa.....	.IA	.NO.	.NO.					
17. Kansas.....	.KS	.NO.	.NO.					
18. Kentucky.....	.KY	.NO.	.NO.					
19. Louisiana.....	.LA	.NO.	.NO.					
20. Maine.....	.ME	.NO.	.NO.					
21. Maryland.....	.MD	.NO.	.NO.					
22. Massachusetts.....	.MA	.NO.	.NO.					
23. Michigan.....	.MI	.NO.	YES			37,646,965		
24. Minnesota.....	.MN	.NO.	.NO.					
25. Mississippi.....	.MS	.NO.	.NO.					
26. Missouri.....	.MO	.NO.	.NO.					
27. Montana.....	.MT	.NO.	.NO.					
28. Nebraska.....	.NE	.NO.	.NO.					
29. Nevada.....	.NV	.NO.	.NO.					
30. New Hampshire.....	.NH	.NO.	.NO.					
31. New Jersey.....	.NJ	.NO.	.NO.					
32. New Mexico.....	.NM	.NO.	.NO.					
33. New York.....	.NY	.NO.	.NO.					
34. North Carolina.....	.NC	.NO.	.NO.					
35. North Dakota.....	.ND	.NO.	.NO.					
36. Ohio.....	.OH	.NO.	.NO.					
37. Oklahoma.....	.OK	.NO.	.NO.					
38. Oregon.....	.OR	.NO.	.NO.					
39. Pennsylvania.....	.PA	.NO.	.NO.					
40. Rhode Island.....	.RI	.NO.	.NO.					
41. South Carolina.....	.SC	.NO.	.NO.					
42. South Dakota.....	.SD	.NO.	.NO.					
43. Tennessee.....	.TN	.NO.	.NO.					
44. Texas.....	.TX	.NO.	.NO.					
45. Utah.....	.UT	.NO.	.NO.					
46. Vermont.....	.VT	.NO.	.NO.					
47. Virginia.....	.VA	.NO.	.NO.					
48. Washington.....	.WA	.NO.	.NO.					
49. West Virginia.....	.WV	.NO.	.NO.					
50. Wisconsin.....	.WI	.NO.	.NO.					
51. Wyoming.....	.WY	.NO.	.NO.					
52. American Samoa.....	.AS	.NO.	.NO.					
53. Guam.....	.GU	.NO.	.NO.					
54. Puerto Rico.....	.PR	.NO.	.NO.					
55. U.S. Virgin Islands.....	.VI	.NO.	.NO.					
56. Canada.....	.CN	.NO.	.NO.					
57. Aggregate Other alien.....	.OT	.XXX	.XXX	0	0	0	0	0
58. Subtotal.....		.XXX	.XXX	0	0	37,646,965	0	0
59. Reporting entity contributions for Employee Benefit Plans.....		.XXX	.XXX					
60. Total (Direct Business).....		.XXX	(a) 1	0	0	37,646,965	0	0

DETAILS OF WRITE-INS

5701.....								
5702.....								
5703.....								
5798. Summary of remaining write-ins for line 57 from overflow page.....			0	0	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above).....			0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE T - PART 2**INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN**

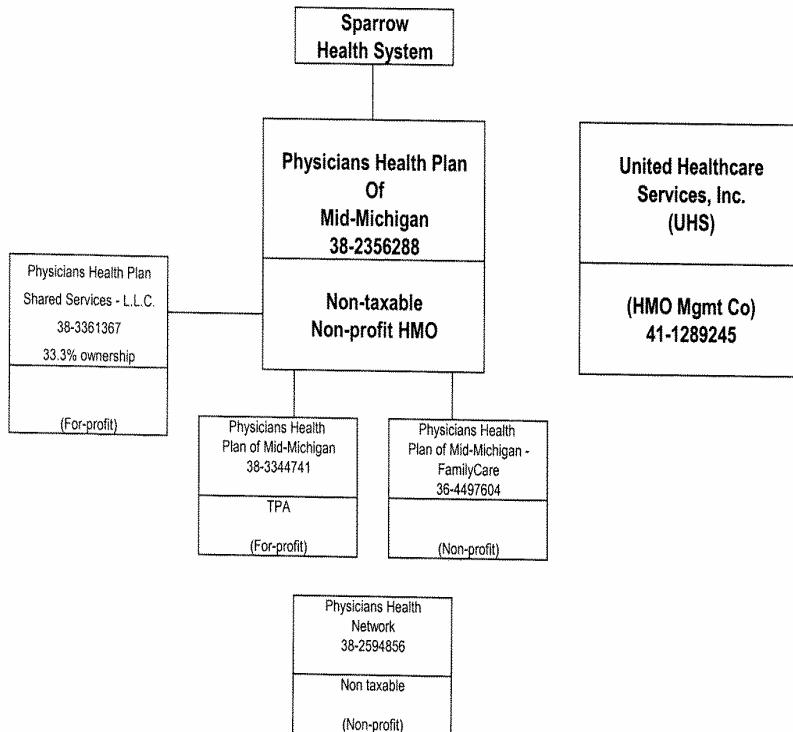
Allocated by States and Territories

States, Etc.	Direct Business Only					
	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	6 Totals
1. Alabama.....AL						0
2. Alaska.....AK						0
3. Arizona.....AZ						0
4. Arkansas.....AR						0
5. California.....CA						0
6. Colorado.....CO						0
7. Connecticut.....CT						0
8. Delaware.....DE						0
9. District of Columbia.....DC						0
10. Florida.....FL						0
11. Georgia.....GA						0
12. Hawaii.....HI						0
13. Idaho.....ID						0
14. Illinois.....IL						0
15. Indiana.....IN						0
16. Iowa.....IA						0
17. Kansas.....KS						0
18. Kentucky.....KY						0
19. Louisiana.....LA						0
20. Maine.....ME						0
21. Maryland.....MD						0
22. Massachusetts.....MA						0
23. Michigan.....MI						0
24. Minnesota.....MN						0
25. Mississippi.....MS						0
26. Missouri.....MO						0
27. Montana.....MT						0
28. Nebraska.....NE						0
29. Nevada.....NV						0
30. New Hampshire.....NH						0
31. New Jersey.....NJ						0
32. New Mexico.....NM						0
33. New York.....NY						0
34. North Carolina.....NC						0
35. North Dakota.....ND						0
36. Ohio.....OH						0
37. Oklahoma.....OK						0
38. Oregon.....OR						0
39. Pennsylvania.....PA						0
40. Rhode Island.....RI						0
41. South Carolina.....SC						0
42. South Dakota.....SD						0
43. Tennessee.....TN						0
44. Texas.....TX						0
45. Utah.....UT						0
46. Vermont.....VT						0
47. Virginia.....VA						0
48. Washington.....WA						0
49. West Virginia.....WV						0
50. Wisconsin.....WI						0
51. Wyoming.....WY						0
52. American Samoa.....AS						0
53. Guam.....GU						0
54. Puerto Rico.....PR						0
55. US Virgin Islands.....VI						0
56. Canada.....CN						0
57. Aggregate Other Alien.....OT						0
58. Totals.....	0	0	0	0	0	0

NONE

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

**PYHICIAN'S HEALTH PLAN OF MID-MICHIGAN - FAMILYCARE
SUMMARY OF ENTITY STRUCTURE**



- UHS**
*Provides Management Services
- HMO**
*Contracts w/ employers
individual members
*Contracts with health delivery networks for medical services
*Provides certain administrative services, incl. marketing, utilization review, provider relations, medical Rx services
- Health Delivery Network**
*Contracts with providers

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART
